

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 28-29, 2005

Reference No.: 4.6
Information Item

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Chief Financial Officer

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Ref: **2005 ANNUAL REAL PROPERTY SERVICES REPORT**

AIRSPACE

Summary

In Fiscal Year (FY) 2004-05 total revenue was \$18.3 million, up from \$17.6 million last year. Airspace revenues can be broken down between ground leases that generated \$15.4 million, with the wireless component generating an additional \$2.9 million. The Department of Transportation (Department) operating expenses increased to \$2.13 million, versus \$1.82 million in FY 2003-04.

The Airspace inventory indicates 564 leased sites which includes 148 wireless sites. Income for the wireless program fluctuates year to year depending on which fiscal year annual payments are actually made. Due to this fluctuation, average income over a period of years is more reflective. The Department continues to approve installations of wireless sites within freeway rights-of-way and the number of approved sites has increased every year since the Airspace Program's (Program) inception.

Possessory interest taxes paid by airspace tenants to the local cities and counties this fiscal year totaled approximately \$4.4 million, versus \$4.2 million last fiscal year. The increase in possessory interest taxes is tied to the increase in gross revenues as the tax determination is calculated as a percentage of lease revenues.

Attached is a chart detailing the Program's income and expenses for the last nine years.

A new potential source of revenues from telecommunication placements in controlled-access rights-of-way (e.g. fiber optics) should generate increases in revenue for fiscal year 2005-06.

The Program anticipates steady growth in this fiscal year with stable staffing and operating expenses.

Background

The Program leases operating right-of-way for multiple uses, including wireless tower sites and fiber optics. Airspace is defined as any property within the right-of-way limits of an existing operating highway which is capable of other uses without undue interference with the operation and foreseeable future expansion of the transportation corridor for highway or other transportation uses. The goal of the program is to maximize public and private multiple use of the right-of-way, in concert with community needs and good land-use planning. The Program's goal is to maximize revenue and the utilization of airspace in compliance with the Department's goals and objectives.

As reported in the past three annual reports to the California Transportation Commission (Commission), the program has been impacted by the seismic retrofit program and the reconstruction of the west approach to the Bay Bridge in San Francisco (District 4). These construction activities, combined with the transfer requirements of SB 798 (Burton) and legislative efforts on the Transbay Terminal, have adversely impacted some of the most profitable airspace sites in the state.

EXCESS LAND SALES

For Fiscal Year 2004-05, the Department's Excess Land Sales Program continued to emphasize the disposal of surplus properties to maximize revenues and return to the State Highway Account. On a statewide basis, the Department's excess land units disposed of 235 properties valued at \$48,678,944. The return to the State Highway Account was \$54,901,879 during the fiscal year.

This production dramatically surpasses average sales from the preceeding 10 years – from FY 94/95 through FY 03/04 – of \$20.2 million, and other than FY 1999/2000 (when production was substantially buoyed by one property that sold for \$49M), is the Department's greatest revenue ever from the sale of surplus property.

In FY 2005-06, the Department will again focus on the sale of those properties with the greatest potential for return to the State Highway Account.

DELEGATED DIRECTOR'S DEED SALES FOR FISCAL YEAR 2004-05

Prior to the October 28, 2004 meeting, Commission Resolution G-98-22 delegated authority to the Department to approve sales of surplus properties incapable of independent development with an estimated market value of \$100,000 or less. At that meeting, the Commission rescinded this delegation. Consequently, this report covers only those conveyances executed by the Department up to the date of rescission.

For the period commencing July 1, 2004 and ending October 28, 2004, the Department sold 64 properties within the delegated limits, out of a total of 235 properties disposed. The number of properties disposed subject to the delegation limits represents 28 percent of the total properties disposed. These delegated sales, with an aggregate estimated value of \$568,276, sold for a total return to the State Highway Account of \$988,325. Revenue from these delegated sales represented 3.9 percent of the total sales of \$54,901,879.

ASSET MANAGEMENT

Asset Management, which returned to the Division of Right of Way and Land Surveys in December 2003, coordinated the completion of the 2004 Real Property Retention Review (RPRR), the first of this type completed by the Department in four years. The objectives of this review were:

1. Compliance with Executive Orders W-18-91 and S-10-04 and Deputy Directive DD-21 R2, which deal with real property asset management.
2. Demonstration of district commitment, participation adherence to RPRR guidelines.
3. Enhancing continuing asset management and oversight efforts.
4. Reporting annually on Department real property holdings, specifically:
 - Identifying parcels supporting long-term operational needs.
 - Identifying parcels that should be “conditionally retained”.
 - Determining disposition of unneeded parcels.
 - Coordinating parcel disposition.

All 12 districts conducted RPRR committee meetings and submitted reports, the last of which was received February 2005. District RPRR Committees reviewed approximately 6,000 properties held by the Department in the following categories:

- Asset Management Inventory (Lands and Buildings Holdings)
- Excess Land Holds
- Parcels Acquired For Unawarded Future Projects

Resulting from this review was the determination that approximately 1,100 properties were surplus to the Departments needs.

The full report will be made available when released by the Department.

Attachment

AIRSPACE STATEWIDE-INCOME/EXPENSES

June 30, 2005

	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
North Region									
Airspace Income*	\$1,290,013	\$1,295,303	\$1,676,252	\$1,438,285	\$1,373,823	\$3,706,335	\$1,513,234	\$1,593,698	\$1,916,977
Wireless Income		\$0	\$0	\$18,030	\$47,366	\$0	\$52,666	\$83,140	\$51,533
Expenses	\$94,466	\$98,097	\$104,811	\$119,707	\$143,751	\$149,857	\$184,997	\$177,735	\$256,985
Net	\$1,195,547	\$1,197,206	\$1,571,441	\$1,318,578	\$1,277,438	\$3,556,478	\$1,380,903	\$1,499,103	\$1,711,525
District 4									
Airspace Income	\$7,007,878	\$7,499,263	\$11,095,323	\$10,005,158	\$11,816,109	\$9,569,976	\$6,708,695	\$5,899,415	\$6,150,970
Wireless Income		\$373,681	\$751,603	\$528,265	\$1,754,022	\$600,819	\$1,635,479	\$1,992,999	\$1,696,697
Expenses	\$450,156	\$459,824	\$483,344	\$527,903	\$447,786	\$529,651	\$597,272	\$667,729	\$776,079
Net	\$6,557,722	\$7,039,439	\$11,363,582	\$9,477,255	\$13,122,345	\$9,641,144	\$7,746,902	\$7,224,685	\$7,071,588
Central Region									
Airspace Income	\$150,362	\$154,383	\$191,313	\$136,196	\$105,687	\$171,437	\$125,947	\$330,859	\$163,831
Wireless Income		\$0	\$0	\$81,865	\$49,517	\$77,269	\$84,832	\$175,759	\$275,962
Expenses	\$30,909	\$43,851	\$56,571	\$35,934	\$50,503	\$75,231	\$132,346	\$133,098	\$146,713
Net	\$181,271	\$110,532	\$134,742	\$100,262	\$104,701	\$173,475	\$78,433	\$373,520	\$293,080
Southern Region									
Airspace Income	\$2,760,694	\$3,006,845	\$3,797,527	\$3,214,911	\$3,698,033	\$3,698,726	\$4,192,031	\$5,254,080	\$5,452,286
Wireless Income		\$17,500	\$165,797	\$422,184	\$442,547	\$795,176	\$497,639	\$704,832	\$719,336
Expenses	\$427,732	\$400,949	\$452,683	\$432,641	\$385,858	\$564,063	\$504,959	\$433,835	\$663,047
Net	\$2,332,962	\$2,605,896	\$3,510,641	\$2,782,270	\$3,754,722	\$3,929,839	\$4,184,711	\$5,525,077	\$5,508,575
District 11									
Airspace Income	\$890,340	\$982,563	\$1,263,188	\$1,005,290	\$1,213,536	\$1,335,759	\$1,291,950	\$1,387,770	\$1,715,505
Wireless Income		\$62,509	\$38,568	\$62,558	\$84,633	\$160,541	\$175,899	\$237,128	\$163,571
Expenses	\$108,701	\$84,302	\$121,780	\$216,189	\$211,869	\$255,257	\$188,504	\$163,786	\$145,530
Net	\$781,639	\$898,261	\$1,179,976	\$789,101	\$1,086,300	\$1,241,043	\$1,279,345	\$1,461,112	\$1,733,546
Statewide									
Airspace Income	\$12,099,287	\$12,938,357	\$18,023,603	\$15,799,840	\$18,207,188	\$18,482,233	\$13,831,857	\$14,465,822	\$15,399,569
Wireless Income		\$453,690	\$955,968	\$1,112,902	\$2,378,085	\$1,633,805	\$2,446,515	\$3,193,858	\$2,907,099
Expenses**	\$1,286,571	\$1,373,341	\$1,597,410	\$1,680,241	\$1,526,151	\$1,799,409	\$1,917,506	\$1,823,014	\$2,132,859
Net	\$10,812,716	\$11,565,016	\$16,426,193	\$15,232,501	\$19,059,122	\$18,316,629	\$14,360,866	\$15,836,666	\$16,173,809

NOTES:

*Reflects lump sum payment of \$2.1M in FY 2001-02 from new PERS lease

**Statewide expenses include HQ overhead for airspace activities.